What is Employment Practices Liability Insurance (EPLI)?



EPLI covers businesses against claims by workers that their legal rights as employees of the company have been violated.

The number of lawsuits filed by employees against their employers has been rising. While most suits are filed against large corporations, no company is immune to such lawsuits. Recognizing that smaller companies now need this kind of protection, some insurers provide this coverage as an endorsement to their Business-owners Policy (BOP). An endorsement changes the terms and conditions of the policy. Other companies offer EPLI as a stand-alone coverage.

EPLI provides protection against many kinds of employee lawsuits, including claims of:

- Sexual harassment
- Discrimination
- Wrongful termination
- Breach of employment contract
- Negligent evaluation
- Failure to employ or promote
- Wrongful discipline
- Deprivation of career opportunity
- Wrongful infliction of emotional distress
- Mismanagement of employee benefit plans

The cost of EPLI coverage depends on your type of business, the number of employees you have and various risk factors such as whether your company has been sued over employment practices in the past. The policies will reimburse your company against the costs of defending a lawsuit in court and for judgments and settlements. The policy covers legal costs, whether your company wins or loses the suit. Policies also typically do not pay for punitive damages or civil or criminal fines. Liabilities covered by other insurance policies such as workers compensation are excluded from EPLI policies.

To prevent employee lawsuits, educate your managers and employees so that you minimize problems in the first place:

- Create effective hiring and screening programs to avoid discrimination in

hiring.
- Post corporate policies throughout the workplace and place them in employee handbooks so policies are clear to everyone.
- Show employees what steps to take if they are the object of sexual harassment or discrimination by a supervisor. Make sure supervisors know where the company stands on what behaviors are not permissible.

Document everything that occurs and the steps your company is taking to prevent and solve employee disputes.